

FY 2004 Work Plan

Office of Indian Tribal Governments



Tax Exempt Government Entities Division

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FY 04
Indian Tribal Governments Work Plan

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PLANNING PROCESS

Overview of ITG

The office of Indian Tribal Governments was established in FY 2001 as part of the Service's modernization process. The office is responsible for federal tax administration issues relating to the 564 federally recognized Indian tribes. This includes various employment taxes, excise taxes, anti-money laundering statutes, income taxes, and information reporting. ITG is also responsible to ensure that the Service is in compliance with the provisions of various treaty-based rights of Indian tribes, and various Executive Orders that outline the government-to-government relationship that is required for all interactions.

FY 2004 represents the third year of full staffing for ITG. A substantial amount of customer education and outreach was accomplished in the initial two years, which provided customers with an understanding of tax laws relating to their entities. Thus, FY 2004 will represent a year in which resources will begin to achieve a better balance between outreach and examinations.

For FY 2004, ITG implemented a comprehensive planning process to ensure that the Work Plan reflected input from IRS data, customers, and employees. Responsibility for the development of the Annual Work Plan is vested with the Outreach, Planning, and Review Manager.

At the start of FY 04, ITG will be staffed at 96% of planned staffing. As a result of attrition, ITG projects that it will complete FY 04 at 91% of planned staffing. This is not anticipated to have any major impact on ITG's ability to meet customer needs, however, it may require ITG to shift field group alignments if a geographic imbalance should result due to attrition.

Although there are only 564 federally recognized Indian tribes, the continuing emergence and growth of tribal economies, largely fueled by gaming, requires ITG to interact with nearly 2000 current tribal entities. Indian tribal governments represent one of the fastest growing segments of the economy, with employment growing by double digits in a recent two-year period.

Methodology

The Strategic Business Plan identified Trends, Issues, and Problems (TIPs) for FY 2004 at the time of its formulation. The ITG office determined that an accurate Work Plan would require a data-driven approach to help refine the TIP areas into specific areas of focus. This approach would provide additional information on which to actually plan critical work.

To accomplish this objective, ITG embarked on a multiple-stage data collection process, including:

- ✓ a formal analysis of compliance,
- ✓ customer feedback, and
- ✓ employee focus groups and environmental scanning by the field.

A Compliance Initiative was initiated in FY 2001, which utilized generally accepted research methodology to analyze compliance by Indian Tribal Governments. An ITG employee who had worked in the former Research Division undertook this task. A major component of this effort was an analysis of Master File information that would assist in determining compliance issues that exist on a national scale. This work was repeated in June 2002 and July 2003, and it assisted in determining issues for the FY 2004 Work Plan. It also created new measures that could be contrasted to data from the prior analyses to determine compliance trends over time. The Compliance Analysis Report reflected the following issues as being present on a regional or national scale:

- ✓ Anti-Money Laundering Requirements
- ✓ Information Reporting (including withholding on Forms W-2G and per capita distributions from gaming)
- ✓ Tip Reporting Compliance
- ✓ FUTA
- ✓ Employment tax filing and payment compliance

ITG attended and participated in numerous meetings during FY 2003 with tribal groups and trade associations. In addition, one formal focus group was held in FY 2003 as a means to capture customer concerns. The areas identified through this process include:

- ✓ Anti-Money Laundering Requirements
- ✓ Employment Tax – deposits and penalties
- ✓ Tip Reporting Compliance

ITG conducted a Customer Satisfaction Survey during FY 2003, which identified areas of strength where ITG needs to maintain its current efforts, as well as areas for improvement. The FY 2004 Work Plan includes actions designed to meet the needs identified through the survey, including improved communication mechanisms, web site enhancements, and operational changes to improve timeliness of responses to tribal inquiries.

Employee feedback secured through the groups, as well as through the feedback mechanism within the ITG Outreach database helped to identify issues/customer needs, including:

- ✓ Tip Reporting compliance
- ✓ Employment Tax assistance, with an emphasis on penalty administration
- ✓ Assistance with member issues

- ✓ Gaming issues
- ✓ Per capita distributions (minor trusts, need-based payments, information reporting)
- ✓ Title 31
- ✓ Gaming issues

Thus, the foundation for the formulation of the FY 2004 ITG Work Plan is based on the TIP area, but refined to specific issues through the analysis of IRS data, Customer input, Employee input, and Environmental Scanning. These issues form the basis for the compliance activities to be undertaken in FY 2004. The major areas of emphasis are those that were reflected in the Compliance Analysis, and reinforced through Customer and Employee input. These include Tip Reporting Compliance, Employment Tax Deposits and Penalties, Anti-Money Laundering, and Information Reporting.

Each manager was provided with a summary of the information, and was then charged with the responsibility to utilize the Tribal Compliance Database (that was prepared for the compliance analysis) in order to determine the resources that would be required to address relevant issues with their impacted Tribes in FY 2004. The database allowed them to determine the extent of relevancy for each issue in their area, and to therefore estimate their resource needs by issue. Each manager was also asked to provide projections for administrative time, leave, training, etc., and to provide a narrative supporting all of their time allocations. The resultant input was compiled, and a meeting was held to review the results. The management team worked to align the Work Plan to all of the guidelines.

The data validated the TIPs that had been initially projected for FY 2004, but the data-driven approach utilized allowed ITG to pinpoint specific issues, and to ensure that a balanced approach is planned for outreach and compliance activities.

WORK PLAN AREAS

ITG will support the Tax Exempt and Government Entities (TEGE) Division major strategies and operating priorities for FY 04. These strategies address key challenges we face in delivering top quality service to each customer, top quality service to all customers, and productivity through a quality work environment. These include actions to:

- Understand and Improve Compliance – as detailed below, ITG will continue to utilize employee input, customer input, data analysis, and environmental scanning, to secure a comprehensive knowledge of key compliance issues and causes of noncompliance.
- Meet Customer Needs – as detailed below, ITG will work closely with customers through focus groups and Customer Satisfaction survey analysis to ascertain their needs, as well as to design and deliver mutually agreeable remedies to identified compliance concerns and problems whenever possible.
- Improve Organizational Performance – as detailed below, ITG will utilize balanced measures and analyze the results to effect operational enhancements to improve performance
- Improve Knowledge and information Management – as detailed below, ITG will expand its use of data, and fully implement its database to identify, track, and measure the impact of all field activities. ITG will continue to support the development and implementations of TREES as its primary work platform
- Build a Highly Qualified and Satisfied Workforce – as detailed below, ITG will continue to train its workforce to ensure that employees have the skills necessary to meet customer needs. ITG will also continue its Knowledge Sharing process to expand technical skills of the ITG workforce, and will continue its use of the employee survey and ITG employee focus groups to identify opportunities for improvements in employee satisfaction.

Budget Activity Code 21, PAC 1C

This area represents the resources devoted to Pre-filing Education and Assistance, which includes customer education and outreach, direct and indirect assistance, and coordination of assistance actions between ITG and other functions.

Customer Focus Groups

ITG will continue to utilize a data-driven approach to the identification of compliance needs. This will include the continuation of Employee Focus

Groups, Customer Focus Groups, and compliance data analysis. To meet the focus group needs in this area, ITG will devote resources to Activity Code 316.

Customer Education and Outreach

ITG will undertake a series of activities that will focus on addressing key areas of noncompliance through a combination of targeted outreach, development of new educational products, and conduct of field compliance activities. While focus will be placed on the national and regional issues identified through the research, environmental scanning, and focus groups, local actions will also be supported. For example, each group was offered the opportunity to identify a specific need that was peculiar to their area, and the Work Plan was adjusted to incorporate the staff years required for those local actions. Time expended in administering any such unique education/outreach event will be charged to Activity Code 160.

Outreach will focus on key areas such as implementation of on-line electronic filing of Forms 8362 and SARCs that becomes operational on October 1, 2003, employment tax and information reporting requirements, and tip reporting requirements. ITG will undertake these efforts with individual tribes, trade organizations, and stakeholder groups. ITG will also commence issuance of regional newsletters each quarter starting October 2003. These newsletters will be used as vehicles to provide additional customer education on technical issues, and as a mechanism to disseminate information on meetings and seminars. A regional approach to these newsletters will allow us to meet the diverse needs of our customers, which often vary by geographic area. Time expended in this area will be charged to Activity Codes 126, 127, 132-145, and 591.

In addition to the regional newsletters, other products to be developed during FY 04 will include an on-line Employment Tax Guide for Tribal Governments, and a CD-Rom self-study module on Employment Taxes. ITG will also continue to upgrade its portion of the www.irs.gov web site.

Stakeholder Relationship Management

ITG will utilize its Stakeholder Relationship database to identify the optimal partners for joint activities. Stakeholder relationships will be fostered as a mechanism to involve customers in the development of outreach products, and to leverage resources to maximize the benefit of customer education efforts.

Other Actions

ITG will continue three major activities during FY 04 that are designed to effect operational improvements.

- Balanced Measures - ITG will utilize Balanced Measures to determine Employee Satisfaction, Customer Satisfaction, and Business Results. Results of these measures will assist ITG in ensuring that actions undertaken did not adversely impact any of the three areas, and will also assist ITG to identify areas in need of operational improvements in subsequent years.

As part of this process, ITG will continue the structured review of 100% of all examinations and compliance checks, and in FY 2004 will implement a review of all outreach activities. Time spent in this area will be charged to Activity Code 110.

While the measures being utilized for Employee Satisfaction and Business Results are somewhat consistent with measures used by other functions, ITG will continue its Customer Satisfaction Survey, which is unique. FY 04 will be the second year for an annual survey of the 564 federally recognized tribes to ascertain their level of satisfaction with their relationship with the Service. The Outreach, Planning, and Review staff will administer the actual survey. Data collected in the fourth quarter of FY 03 will serve as a baseline, and FY 2004 data will be analyzed to determine any change.

- Knowledge Sharing – ITG will continue its Knowledge Sharing process that focuses on enhancing employee technical knowledge. This effort focuses on the transfer of specialized technical knowledge between employees to improve both employee and customer satisfaction.
- Consultation Policy – ITG will complete its meetings with tribal leaders and representatives to assist in the development of a Consultation Policy for involving Indian tribal governments during the development of IRS policies that will impact them. A draft policy will be developed and circulated for comment during FY 2004. Time expended in this area will be charged to Activity Code 104.

Budget Activity Code 37, PAC 7G

This area represents the resources devoted to Field Compliance Services, which includes compliance checks, return examinations, anti money laundering oversight, research, and requisite support work.

Workload Selection

ITG will continue to refine the workload selection criteria utilized in prior years. In addition, through various Memoranda of Understanding and Internal Revenue Manual provisions, ITG will partner with internal stakeholders to assist in workload identification in areas such as excise tax, and anti-money laundering.

Workload selection will be monitored to ensure that key areas identified through environmental scanning, research, and focus groups are addressed, and that the actions being assigned represent the optimal approach to the identified issue. ITG will continue to undertake Compliance Checks as a mechanism to better understand customer needs and identify appropriate remedies to compliance issues. ITG will also conduct examinations as necessary. Time expended in workload selection will be charged to Activity Code 157.

Research

ITG will continue its annual analysis of federal tax compliance and will expend resources in Activity Codes 181 and 186 to complete the necessary actions.

Compliance Focus Areas

ITG field compliance workload will focus on the following key areas:

- **Employment Tax**

ITG will address employee vs. independent contractor issues that are identified through the filing of Forms SS-8, compliance checks, or regular workload selection. Time expended in this area will be charged to Activity Codes 187, 464, 465, and 467

ITG will work to address tip income compliance issues within tribal gaming and food service entities. Time expended in this area will be charged to Activity Code 575.

- Federal Unemployment Tax
ITG will continue to work with SBSE Collection, the Campuses, Government Liaison, and customers to properly administer the FUTA provisions of the Consolidated Appropriations Act of 2000. Time expended in this area will be principally charged to Activity Codes 187 and 464.

- Anti-Money Laundering
ITG, in concert with the AML staff in SBSE, will undertake actions to ensure that Indian tribal governmental entities subject to Title 31 are properly identified and are fully aware of the requirements of Title 31. ITG will also provide assistance to SBSE as required, in the conduct of any AML examinations involving tribal entities. Time expended in this area will be charged to Activity Codes 509 and 591.

- Information Reporting
ITG will work with Tribal governments to resolve questions regarding the taxability of distributions to members, including per capita vs. general welfare distributions.

Reporting compliance in the proper filing of Forms 1099 and W-2G will be addressed through field compliance actions, including both compliance checks and examinations.

Time expended in this area will be charged to Activity Codes 187, 470 and 520.

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TRAINING

Course Number 4300

Continuing Professional Education will be conducted for 65 ITG Participants at 40 hours each. The course will address research (maximizing use of IDRS, IRM, and Document 6209), CBRS, GASB 34, workpaper preparation, Aggregation Agreements, PowerPoint techniques, and other topics.

Course Number 4300

Continuing Professional Education will be conducted for 51 ITG Participants at 40 hours each. The course will address the fundamentals of cash flow, internal controls, information reporting, and accounting practices at casinos.

Course Number 4256

RICS Phase II training will be conducted for three OPR staff members at 40 hours each, in order to enhance workload selection capabilities.

Analyst Training - Course Number 9682b

Training will be conducted for 12 analysts in Data-Based Decision Making

Comprehensive Advanced Access Training for Programmers

Out-service training will be conducted at 40 hours for one OPR analyst to acquire knowledge required to support enhanced MS Access applications being developed within ITG.

Focus Group Moderator Training – Course 9665b

Training will be conducted for one employee in this subject area, as part of ITG efforts to build a geographically dispersed cadre of moderators to work with employee and customer groups.